

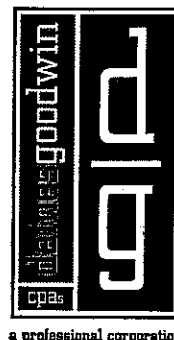
Wasatch Homeless Health Care, Inc.

Financial Statements
and
Independent Auditor's Report
With Supplementary Information and Compliance Reports

As of December 31, 2008 and 2007
And for the Years then Ended

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Independent Auditor's Report

To the Board of Directors of
Wasatch Homeless Health Care, Inc.

We have audited the accompanying statements of assets, liabilities and net assets, of Wasatch Homeless Health Care, Inc. (a not-for-profit organization) as of December 31, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Wasatch Homeless Health Care, Inc. management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Homeless Health Care, Inc. as of December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2009 on our consideration of Wasatch Homeless Health Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Wasatch Homeless Health Care, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Darwin Brown ; C.P.C.

Salt Lake City, Utah
June 4, 2009

Wasatch Homeless Health Care, Inc.

Statements of Financial Position

	December 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 216,216	\$ 335,464
Accounts receivable	344,049	334,886
Prepaid expenses	2,227	11,294
Inventory	326,307	105,504
Total current assets	888,799	787,148
Property and equipment, net	3,025,747	2,925,750
Other assets		
Deferred wage assets	36,223	-
Total assets	3,950,769	3,712,898
Liabilities and net assets		
Current liabilities		
Accounts payable	90,005	49,480
Accrued liabilities	158,082	75,439
Current portion of long-term debt	56,817	52,191
Total current liabilities	304,904	177,110
Deferred wage liability	25,534	-
Long-term debt, net of current portion	1,106,378	1,163,340
Total liabilities	1,436,816	1,340,450
Net assets		
Unrestricted net assets	2,338,953	2,184,948
Temporarily restricted	175,000	187,500
Permanently restricted	-	-
Total net assets	2,513,953	2,372,448
Total liabilities and net assets	\$ 3,950,769	\$ 3,712,898

Wasatch Homeless Health Care, Inc.

Statement of Activities

	For the year ended December 31, 2008		
	Unrestricted	Temporarily Restricted	Total
Revenues, Support and Reclassifications			
Government contracts and grants	\$ 2,471,909	\$ -	\$ 2,471,909
In-kind contributions	1,599,597	-	1,599,597
Foundation and corporate grants	431,741	150,000	581,741
Public donations	270,297	-	270,297
Volunteer services	417,558	-	417,558
UHCN reimbursement income	2,400	-	2,400
Patient charges	26,094	-	26,094
Rental income	86,688	-	86,688
Medicaid settlements	272,386	-	272,386
Other income	20,833	-	20,833
Interest income	2,487	-	2,487
Gain on investments	37	-	37
Net assets released from restrictions (Note 1 & 3)			
Satisfaction of purpose restrictions	162,500	(162,500)	-
Total revenues, support and reclassifications	5,764,527	(12,500)	5,752,027
Expenses			
Program services	5,031,242	-	5,031,242
Management and general	231,331	-	231,331
Fundraising	158,474	-	158,474
Total expenses	5,421,046	-	5,421,046
Other Expenses			
Loss on disposal of assets	(189,477)	-	(189,477)
Total other expenses	(189,477)	-	(189,477)
Change in net assets	154,004	(12,500)	141,504
Net assets, beginning of year	2,184,948	187,500	2,372,448
Net assets, end of year	2,338,953	175,000	2,513,953

Wasatch Homeless Health Care, Inc.

Statement of Activities

	For the year ended December 31, 2007		
	Unrestricted	Temporarily Restricted	Total
Revenues, Support and Reclassifications			
Government contracts and grants	\$ 1,595,378	\$ -	\$ 1,595,378
In-kind contributions	1,178,556	-	1,178,556
Foundation and corporate grants	182,676	150,000	332,676
Public donations	249,270	-	249,270
Volunteer services	220,361	-	220,361
UHCN reimbursement income	105,887	-	105,887
Patient charges	56,821	-	56,821
Rental income	152,349	-	152,349
Medicaid settlements	204,860	-	204,860
Other income	12,177	-	12,177
Interest income	6,336	-	6,336
Net assets released from restrictions (Note 1 & 3)			
Satisfaction of purpose restrictions	150,000	(150,000)	-
Total revenues, support and reclassifications	4,114,671	-	4,114,671
Expenses			
Program services	3,708,735	-	3,708,735
Management and general	182,400	-	182,400
Fundraising	125,499	-	125,499
Total expenses	4,016,634	-	4,016,634
Change in net assets	98,037	-	98,037
Net assets, beginning of year	2,086,911	187,500	2,274,411
Net assets, end of year	2,184,948	187,500	2,372,448

Wasatch Homeless Health Care, Inc.

Statement of Functional Expenses

	For the Year Ended December 31, 2008			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,435,823	132,030	82,519	\$ 1,650,372
Payroll taxes	121,712	11,192	6,995	139,899
Employee benefits	273,398	25,140	15,713	314,250
Total salaries and related expenses	1,830,933	168,362	105,226	2,104,520
In-kind donations	1,378,889	-	-	1,378,889
UHCN expenses	481,400	-	-	481,400
Volunteer services	417,558	-	-	417,558
Software systems support	39,410	3,624	2,265	45,299
Mortgage interest expense	58,384	5,369	3,355	67,108
Pharmacy services	88,129	-	-	88,129
FEMA and respite housing	149,542	-	-	149,542
Outside services	102,753	9,449	5,905	118,107
Supplies	76,660	7,049	4,406	88,115
Utilities	34,683	3,189	1,993	39,865
Repairs and maintenance	27,495	2,528	1,580	31,603
Telephone	31,636	2,909	1,818	36,363
Travel	32,785	3,015	1,884	37,684
Legal and professional	16,565	1,523	952	19,040
Marketing and fundraising	-	-	13,892	13,892
Cleaning	26,073	2,398	1,498	29,969
Printing and publications	28,154	2,589	1,618	32,361
Training	19,440	1,788	1,117	22,345
Small equipment	10,507	966	604	12,077
Dues and subscriptions	31,911	2,934	1,834	36,679
Postage and freight	5,491	505	316	6,311
Miscellaneous	34,546	3,177	1,985	39,708
Bank service charges	11,009	1,012	633	12,654
Insurance	8,295	763	477	9,535
Recruiting	425	39	24	488
License and permits	3,146	289	181	3,616
Security	251	23	14	288
Total expenses before depreciation	4,946,068	223,499	153,579	5,323,145
Depreciation	85,174	7,832	4,895	97,901
Total expenses	5,031,242	231,331	158,474	5,421,046

Wasatch Homeless Health Care, Inc.

Statement of Functional Expenses

	For the Year Ended December 31, 2007			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,116,428	\$ 102,660	\$ 64,162	\$ 1,283,250
Payroll taxes	80,833	7,433	4,646	92,912
Employee benefits	232,739	21,401	13,376	267,516
Total salaries and related expenses	1,430,000	131,494	82,183	1,643,678
In-kind donations	1,178,556	-	-	1,178,556
UHCN expenses	191,587	-	-	191,587
Volunteer services	220,361	-	-	220,361
Software systems support	49,146	4,519	2,825	56,490
Mortgage interest expense	55,970	5,147	3,217	64,333
Pharmacy services	48,643	-	-	48,643
FEMA and respite housing	86,068	-	-	86,068
Outside services	42,866	3,942	2,463	49,271
Supplies	54,876	5,046	3,154	63,076
Utilities	29,108	2,677	1,673	33,458
Repairs and maintenance	18,566	1,707	1,067	21,340
Telephone	26,790	2,463	1,540	30,793
Travel	25,580	2,352	1,470	29,402
Legal and professional	10,165	935	584	11,684
Marketing and fundraising	-	-	11,499	11,499
Cleaning	19,879	1,828	1,142	22,849
Printing and publications	22,580	2,076	1,298	25,954
Training	19,597	1,802	1,126	22,525
Small equipment	10,180	936	585	11,701
Dues and subscriptions	26,520	2,446	1,529	30,495
Postage and freight	5,535	509	318	6,362
Miscellaneous	14,361	1,321	825	16,507
Bank service charges	3,959	364	228	4,551
Insurance	7,606	699	438	8,743
Recruiting	1,263	116	73	1,452
License and permits	1,641	151	94	1,886
Security	311	29	18	358
Total expenses before depreciation	3,601,715	172,559	119,348	3,893,622
Depreciation	107,020	9,841	6,151	123,012
Total expenses	3,708,735	182,400	125,499	4,016,634

Wasatch Homeless Health Care, Inc.

Statements of Cash Flows

	For the year ended December 31, 2008	For the year ended December 31, 2007
Cash flows from operating activities		
Changes in net assets	\$ 141,504	\$ 98,037
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	97,901	123,012
Loss on asset disposal	189,477	-
Change in operating assets and liabilities:		
Accounts receivable	(9,163)	(34,381)
Deferred wage assets	(36,223)	
Payroll advances	-	6,018
Prepaid expenses	9,067	(5,713)
Inventory	(220,803)	(47,931)
Accounts payable	40,525	(25,215)
Accrued liabilities	82,643	15,896
Deferred wage liability	25,534	-
Net cash provided by operating activities	320,462	129,723
Cash flows from investing activities		
Purchase of property and equipment	(387,366)	(44,256)
Net cash used in investing activities	(387,366)	(44,256)
Cash flows from financing activities		
Principal payments on long-term debt	(52,344)	(53,472)
Net cash used in financing activities	(52,344)	(53,472)
Net (decrease) increase in cash	(119,248)	31,995
Cash, beginning of year	335,464	303,469
Cash, end of year	\$ 216,216	\$ 335,464

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

Wasatch Homeless Health Care, Inc. was incorporated under the laws of the State of Utah on July 28, 1997 as a nonprofit corporation. The Organization is a community-based health center that seeks to provide primary medical health care to indigent and homeless persons in Salt Lake City, Utah.

Wasatch Homeless Health Care, Inc. receives a majority of its funding from federal funds, contributions, private donations, and from service fees.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents, for purposes of the statement of cash flows, exclude permanently restricted cash and cash equivalents.

Financial statement presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards* (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Wasatch Homeless Health Care Center presently has no permanently restricted net assets.

Contributions

The Organization also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Contributions that are restricted or temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Contributions (continued)

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets. Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. The services are considered contributions if they create or enhance non-financial assets or if those services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Contributions consisted of the following during the years ending December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Pharmacy assistance program	\$ 1,164,372	\$ 978,018
Volunteer labor	417,558	220,361
Medications	392,502	192,438
Medical supplies	42,723	8,099
	<u>\$ 2,017,155</u>	<u>\$ 1,398,916</u>

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts. These accounts are insured by the FDIC up to \$250,000. Fund balances in these accounts exceed the FDIC insured amounts by \$137,028 in 2007.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The allocation of expenses between program services, management and general, and fundraising is an area where estimates were used.

Economic dependency

The Organization is economically dependent on the funding from government sources for yearly support through annual contributions.

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the assets useful life of five to thirty years. It is The Organization's policy to capitalize expenditures of these items in excess of \$1,500; lesser amounts are expensed when incurred. Depreciation expense for the years ended December 31, 2008 and 2007 was \$97,901 and \$123,012, respectively.

Income tax status

It is the position of the Internal Revenue Service that Wasatch Homeless Health Care, Inc. is an Organization described in Section 501(c)(3) of the Internal Revenue Code and, as such, the Organization is not required to file federal income tax returns but is, however, required to file information return, Form 990, annually.

Impairment of assets

Wasatch Homeless Health Care, Inc. reviews property and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the assets carrying amount to future undiscounted net cash flows the asset is expected to generate. Cash flow forecasts are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future cash flows arising from the assets or their fair values, whichever is more determinable.

Inventory

Inventories are stated at fair market values based on current medical and pharmaceutical pricing software.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Fair value of financial instruments

The fair value of financial instruments including; cash, marketable securities, and accrued liabilities approximate book values at December 31, 2008 and 2007.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of revenues and expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Government funding

Funding from all government sources are considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Patient revenue

Certain patients receiving medical services from the Organization are billed on a sliding-scale fee based upon family size and income. The sliding scale adjustment is set by federal guidelines as a percentage of the defined poverty level. In addition, the Organization received fees from various third-party programs for qualifying patients. Patient fees are applied in meeting the non-federal share of approved budgets.

2. Property and Equipment

Property and equipment consist of the following:

	December 31, 2008	December 31, 2007
Building and improvements	\$ 1,170,639	\$ 720,016
Land	1,898,271	1,898,271
Leasehold improvements	-	829,491
Equipment and software	390,799	302,699
	3,459,709	3,750,477
Accumulated depreciation and amortization	(433,962)	(824,727)
	<u>\$ 3,025,747</u>	<u>\$ 2,925,750</u>

During 2008 the Organization either reclassified or disposed of all leasehold improvements. The leasehold improvements which were acquired prior to the purchase date of the building were disposed of because the improvements were purchased as part of the building acquisition. All leasehold improvements acquired after the building purchase date, were reclassified to building and improvements. The figures associated with these transactions are as follows:

Leasehold improvement disposal	\$ 540,426
Leasehold improvements reclassified to building and improvements	\$ 289,065
Loss on disposal of assets	\$ (189,477)

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Specific time periods	<u>\$ 175,000</u>	<u>\$ 187,500</u>
Total temporarily restricted net assets	<u>\$ 175,000</u>	<u>\$ 187,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by the donors as follows:

Purpose restriction accomplished:

Satisfaction of time period	<u>162,500</u>	<u>150,000</u>
Total restrictions released	<u>\$ 162,500</u>	<u>\$ 150,000</u>

4. Long-Term Debt

Long-term debt consisted of the following:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Note payable to bank, interest at 5.14%, principal and interest payable in monthly installments of \$9,565 through March 2023, secured by property and equipment.	\$ 1,163,195	1,215,531
Less amounts due within one year	<u>56,817</u>	<u>52,191</u>
	<u>\$ 1,106,378</u>	<u>\$ 1,163,340</u>

Wasatch Homeless Health Care, Inc.

Notes to Financial Statements

4. Long-Term Debt (continued)

Maturities of long term debt are as follows:

Year Ended December 31,

2009	\$ 56,817
2010	59,272
2011	62,392
2012	65,675
2013	69,132
Thereafter	<u>849,907</u>
	<u>\$ 1,163,195</u>

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SUPPLEMENTARY INFORMATION

AND

COMPLIANCE REPORTS

Wasatch Homeless Health Care, Inc.

Schedule of Expenditures of Federal Awards

December 31, 2008

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Pass-Through Awards

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted below.

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Services</u>			
Direct Programs			
Health Center Cluster	H80CS00043	93.224	\$ 1,696,326
Integrated Services	H2KIT00859	93.224	<u>481,400</u>
Total U.S. Department of Health and Human Services			<u>2,177,726</u>
<u>Federal Legislative Earmark</u>			
Passed through State Primary Care Organization			
Association of Utah Health Centers		99.888	<u>48,715</u>
Total U.S. Federal Legislative Earmark			<u>48,715</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Salt Lake County and Salt Lake City			
Community Development Block Grants		14.218	<u>72,392</u>
Total U.S. Department of Housing and Urban Development			<u>72,392</u>
Total Expenditures of Federal Awards			<u>\$ 2,298,833</u>

Wasatch Homeless Health Care, Inc.

Schedule of Findings and Questioned Costs

December 31, 2008

1. We issued an unqualified opinion in our report on the financial statements of Wasatch Homeless Health Care, Inc. for the year ended December 31, 2008.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended December 31, 2008.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Wasatch Homeless Health Care, Inc. for the year ended December 31, 2008 is as follows:
 - a. Health Center Cluster CFDA Number 93.224
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Wasatch Homeless Health Care, Inc. did qualify as a low-risk auditee.

Findings Related to the Financial Statements

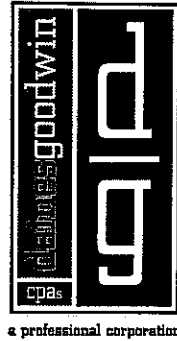
None

Findings and Questioned Costs for Federal Awards

None

Findings of Prior Audit – Year Ended December 31, 2007

There were no findings reported for the year ended December 31, 2007. Therefore, there are no outstanding resolution matters relating to major federal programs.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Wasatch Homeless Health Care, Inc.

We have audited the financial statements of Wasatch Homeless Health Care, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008 and have issued our report thereon dated June 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit of the financial statements of Wasatch Homeless Health Care, Inc. as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United State of America, we considered Wasatch Homeless Heath Care, Inc's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

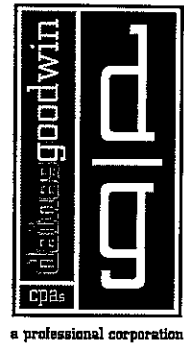
Compliance and other matters

As part of obtaining reasonable assurance about whether Wasatch Homeless Health Care, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. Noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Darvin Brown ; C.P.C.

Salt Lake City, Utah
June 4, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Wasatch Homeless Health Care, Inc.

Compliance

We have audited the compliance of Wasatch Homeless Health Care, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2008. Wasatch Homeless Health Care, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wasatch Homeless Health Care, Inc.'s management. Our responsibility is to express an opinion of Wasatch Homeless Health Care, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wasatch Homeless Health Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wasatch Homeless Health Care, Inc.'s compliance with those requirements.

In our opinion, Wasatch Homeless Health Care, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal control over compliance

The management of Wasatch Homeless Health Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wasatch Homeless Health Care, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an Organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of expenditures of federal awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Wasatch Homeless Health Care, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated June 4, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Wasatch Homeless Health Care, Inc.'s basic financial statements. The accompanying schedule of expenditures of federal awards is

presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Darwin Brown ; C.P.C.

Salt Lake City, Utah
June 4, 2009



REPORT ON COMPLIANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

To the Board of Directors
Wasatch Homeless Health Care, Inc.

We have audited the financial statements of Wasatch Homeless Health Care, Inc. (a nonprofit organization) for the year ended December 31, 2008 and have issued our report thereon dated June 4, 2009. As part of our audit, we have audited Wasatch Homeless Health Care, Inc.'s compliance with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2008. Wasatch Homeless Health Care, Inc. received the following major State assistance from the State of Utah:

Primary Care Grant – Utah Department of Health

The management of Wasatch Homeless Health Care, Inc. is responsible for the Organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Wasatch Homeless Health Care, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on Wasatch Homeless Health Care, Inc.'s compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch Homeless Health Care, Inc. complied with all material respects, with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to its major State award program for the year ended December 31, 2008.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Darwin Groover ; C.P.C.

Salt Lake City, Utah
June 4, 2009